

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3990

April 27, 2006

RESOLUTION

Resolution E-3990. Southern California Edison (SCE) Advice Letter (AL) 1975-E requests a temporary suspension of the Cost Responsibility Surcharge (CRS) collected from the City of Cerritos (Cerritos) Community Aggregation (CA) customers via SCE's Schedule CCA-CRS. SCE's request is approved.

By Advice Letter 1975-E filed on March 1, 2006.

SUMMARY

The City of Cerritos Community Aggregation customers are currently paying 2.0 cents/kWh Cost Responsibility Surcharge.

Assembly Bill (AB) 80 enabled Cerritos to act as a CA in SCE's service territory. Cerrito's CA customers have been paying the 2.0 cents/kWh CRS through SCE Schedule CCA-CRS pursuant to Decision (D.) 05-01-009 since July of 2005 in order to pay for electric costs that had already been incurred on their behalf prior to their CA cut-over date.

CRS funds from Cerritos' CA customers may have been overcollected.

A report submitted by a "Working Group" consisting of the Investor Owned Utilities (IOUs), Direct Access (DA), Departing Load (DL), and consumer protection parties in Rulemaking (R.) 02-01-011 is cited by SCE to suggest that an overcollection from Cerritos' CA customers is occurring as a result of this 2.0 cents/kWh CRS. Sufficient evidence exists to suspend the CRS currently collected from Cerritos' CA customers until the CRS is trued-up by the California Public Utilities Commission (Commission). SCE's AL 1975-E is hereby approved.

BACKGROUND

The City of Cerritos CA customers are currently paying 2.0 cents/kWh Cost Responsibility Surcharge.

The Commission adopted D. 05-01-009 on January 13, 2005, granting the application filed by SCE and Cerritos which settled certain disputes between SCE and Cerritos as to the intent of AB 80, resulting in Cerrito's ability to provide CA service.

AB 80 determined that a CRS would need to be collected from customers that receive CA service from Cerritos in order to pay for costs that had already been incurred by the Department of Water Resources (DWR) and SCE on behalf of electric customers in Cerrito's city limits. The money collected through the CRS is used to pay off the DWR Power Charge and the tail Competition Transition Charge. In D. 05-01-009, the Commission determined that CRS responsibility of Cerritos customers would be the same as established in Rulemaking (R.) 03-10-003 for Community Choice Aggregation (CCA) customers.

On December 16, 2004, the Commission issued D. 04-12-046 in R. 03-10-003, establishing an interim CCA CRS of 2.0 cents/kWh and determined that this CRS level would be subject to a future true-up if the actual CRS differed by at least 30%.

Future CRS calculations for CCAs would be determined in R.02-10-011. A report submitted in that proceeding is cited by SCE to suggest that an overcollection of the CRS funds has likely occurred from Cerritos' CA customers.

On December 15, 2005, the Commission adopted D. 05-12-041, determining that the CCA CRS calculations would be part of the R. 02-10-011 proceeding, which calculates the DA and DL CRS.

A "Working Group" was formed in R. 02-01-011 during 2005, made up of the IOUs, DA, DL, and consumer protection parties in order to recalculate the DA/DL CRS from 2003 through 2005, and update forecasts for 2006 going forward. The Working Group's findings were documented in a report titled "Final Report of the Working Group to Calculate the CRS Obligation Associated with Municipal Departing Load and Direct Access"

(Working Group Report). The report was submitted to the Commission on January 29, 2006 and parties to R. 02-01-011 filed comments on the report on March 8, 2006.

The 2006 CCA CRS will likely be 30% less than the current CCA CRS of 2.0 cents/kWh.

The Working Group Report's recommendations have not officially been adopted by the Commission. However, the report's consensus estimates indicate that the 2006 DA/DL CRS, which will also be adopted for CCA customers, will likely be 30% less than the current CCA CRS of 2.0 cents/kWh.

Given the estimated CRS values in the Working Group Report, SCE believes that an overcollection of CRS funds from Cerritos' CA customers is taking place and therefore proposes to suspend the collection of the 2.0 cents/kWh CRS from Cerritos' CA customers on an interim basis until the Commission issues a decision on the CRS true-up calculations. At that point Cerritos' CA CRS would be revised.

NOTICE

SCE states that a copies of the Advice Letter 1975-E was mailed and distributed in accordance with Section III-G of General Order 96-A to the R. 03-10-003 service list.

PROTESTS

No protests to AL 1975-E were filed.

DISCUSSION

Suspension of Cerritos CRS is temporary and a new CRS for Cerritos will be calculated in the near-term.

Energy Division staff is not opposed to SCE's proposal to temporarily suspend the CRS collection from Cerritos' CA customers. The Working Group Report's CRS calculations, which have been included in the evidentiary record of R. 02-01-011 by an ALJ Ruling dated February 23, 2006, indicate that the CCA CRS is likely to be 30% lower than the current CCA CRS of 2.0 cents/kWh. As noted above, Cerritos' CRS will be re-

calculated when the Commission issues its decision on the recommendations contained in the Working Group Report.

Cerritos is currently the only city that is paying a CCA CRS. According to Cerrito's representatives, a "substantial" over-collection would occur if Cerrito's 2.0 cents/kWh CRS remained in effect.

The suspension of Cerritos' CA CRS does not affect SCE's bundled customers' financial indifference.

SCE cites the Working Group Report to support its statement that SCE has already collected sufficient funds from Cerrito's CA customers via the CRS, to date; hence, SCE's bundled customers will remain financially indifferent to this suspension.

Since SCE will track any difference in collections in a balancing account, Energy Division is not opposed to SCE's proposal to suspend Cerritos' CA CRS collection until the CRS calculations are updated in R. 02-01-011, or any other proceeding to which such calculations are transferred. AL 1975-E should therefore be approved.

In the event that an over-collection, or (an unlikely) under-collection, occurs as a result of this interim suspension, Energy Division staff is confident that SCE's CRS balancing account has and will continue to keep accurate track of the Cerritos' CRS collection. R.02-01-011 has a process which will set a correct CRS rate collection from Cerritos' CA customers on a going forward basis.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to reduce the 30-day waiting period required by PU Code section 311(g)(1) to 16 days. Accordingly this

matter will be placed on the first Commission's agenda 16 days following the mailing of this draft resolution. By stipulation of all parties, comments shall be filed no later than 13 days following the mailing of this draft resolution.

FINDINGS

1. The California Public Utilities Commission (Commission) adopted D. 05-01-009 on January 13, 2005, granting the application filed by SCE and Cerritos which settled certain disputes between SCE and Cerritos as to the intent of AB 80, resulting in Cerrito's ability to provide CA service.
2. In D. 05-01-009, the Commission determined that the CRS responsibility of Cerritos CA customers would be the same as established in Rulemaking (R.) 03-10-003 for CCA customers.
3. On December 16, 2004, the Commission issued D. 04-12-046, establishing an interim CCA CRS of 2.0 cents/kWh and determined that this CRS level would be subject to a future true-up if the actual CRS differed by at least 30%.
4. On December 15, 2005, the Commission adopted D. 05-12-041 determining that the CCA CRS would be calculated in conjunction with R. 02-01-011, which calculates the Direct Access (DA) and Departing Load (DL) CRS.
5. In R.02-01-011, a "Working Group" was formed in 2005, made up the IOUs, DA, DL, and consumer protection parties in order to recalculate the DA/DL CRS from 2003 CRS through 2005 and update forecasts for 2006 going forward.
6. The Working Group filed a report in R.02-01-011 which indicates that the 2006 DA/DL CRS, (which will also be adopted for CCA customers), will likely be 30% less than the current CCA CRS of 2.0 cents/kWh.
7. Given the estimated CRS values in the Working Group Report, SCE believes that an overcollection of CRS funds from Cerritos customers is

likely taking place. Energy Division is not opposed to SCE's proposal to suspend SCE's CRS collection from Cerritos CA customers on an interim basis until the Commission issues a decision on the CRS true-up calculations.

8. The Energy Division believes that an interim suspension of Cerritos' CRS collection will not result in cost shifting to SCE's bundled customers. SCE's CRS balancing account has and will continue to keep accurate track of the Cerritos' CRS collection. R.02-01-011 has a process which will set a correct CRS rate collection from Cerritos' CA customers on a going forward basis.

THEREFORE IT IS ORDERED THAT:

1. The Commission approves SCE's request to temporarily suspend the CRS that has been collected via Schedule CCA-CRS from Cerritos' CA customers until further Commission notice. The tariff sheets filed via AL 1975-E are hereby approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 27, 2006 the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director